

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3974-01
Bill No.: HB 1529
Subject: Retirement – State; Retirement Systems and Benefits – General; State Employees
Type: Original
Date: February 26, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
HIGHWAY FUND	(\$880,535)	(\$1,083,058)	(\$1,110,134)
VARIOUS*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(\$880,535 to Unknown)	(\$1,083,058 to Unknown)	(\$1,110,134 to Unknown)

** In similar legislation, MOSERS' UAAL increased by \$256,279,290 and their increase in contributions in the first year of the benefit change was \$25.7 million.*

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the Joint Committee on Public Employee Retirement. It would be impossible to accurately determine the fiscal impact of this proposed legislation without the actuarial cost statement prepared in accordance with Section 105.665.

Officials with the **Department of Public Safety – Missouri State Highway Patrol (MHP), County Employees’ Retirement System (CERF), Office of Administration – Division of Budget and Planning (BAP), and Public School Retirement System (PSR)** assume the proposal would have no fiscal impact.

Officials with the **Missouri State Employees Retirement System (MOSERS)** assume that this proposal attempted to change the formula for calculating post-retirement cost-of-living adjustments from 80% of the CPI to 100% of the CPI. The proposed language does not change the formula in the numerous sections of the statutes in which it appears, but instead only addresses one section of the law.

MOSERS notes that HB 1818 also proposes changing the formula for calculating post-retirement cost-of-living adjustments from 80% of the CPI to 100% of the CPI. If the language in HB 1529 was corrected, the cost of the bill would be that which was reported and valued for HB 1818. Because the intent of this proposal is unclear to MOSERS, **Oversight** assumes their fiscal impact is unknown.

Oversight notes that HB1818 increases the MOSERS’ UAAL by \$256,279,290 and the increase in total contributions would be \$25.7 million in the first year after the benefit change.

Officials with the **Missouri Highway and Transportation Employees and Highway Patrol Retirement System (HRS)** assumes the proposal would present the following effects:

ASSUMPTION (continued)

Closed Plan

For active and inactive employees, the benefits of pensioners and their beneficiaries are increased annually by 80% of the increase in the Consumer Price Index (subject to a maximum increase of 5% and a minimum of 4%). The increases are made until the total of the increases reaches 65% at which time the increases will have the minimum removed. For employees hired after 8/27/97 and those hired prior to 8/28/97 and who have reached the 65% cap, the annual percentage increase will be equal to the lesser of: *i*) 100% of the CPI increase, and *ii*) 5

Year 2000

The annual percentage increase will be equal to the lesser of *i*) 100% of the CPI increase, and *ii*) 5%.

MoDOT		\$4,012,000
Patrol		
Non – Uniformed	\$544,000	
Uniformed Patrol	\$1,311,300	
		<u>1,855,300</u>
Total		\$5,867,300

These calculations are based on annual payroll levels of:

MoDOT	\$236 Million
Non-Uniformed Patrol	32 Million
Uniformed Patrol	47 Million

Increased contribution rates of:

MoDOT	1.70%
Non-Uniformed Patrol	1.70%
Uniformed Patrol	2.79%

Officials with the **Department of Transportation (MoDOT)** assume the proposal changes the cost-of-living adjustment calculation for state employees retirement plans. According to the revised response from the Highway and Transportation Employees' and Highway Patrol Retirement System provided to the Oversight Division on February 6, 2002, this legislation would increase the contribution rates for MoDOT by 1.70 percent. This rate increase was applied to the FY 2002 retirement contribution of \$60,639,416 ($1.7\% \times \$60,639,416 = \$1,030,870$). Therefore, the fiscal impact will be as follows: FY03 - \$880,535; FY04 -

\$1,083,058 and FY05 - \$1,110,134.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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STATE HIGHWAY FUND

Costs – MoDOT

Increased Retirement Contributions	<u>(\$880,535)</u>	<u>(\$1,083,058)</u>	<u>(\$1,110,134)</u>
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VARIOUS STATE FUNDS

Costs – MOSERS

Increased COLA Contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO STATE FUNDS	<u>(\$880,535 to Unknown)</u>	<u>(\$1,083,058 to Unknown)</u>	<u>(\$1,110,134 to Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

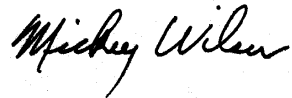
DESCRIPTION

This proposal increases the retirement cost-of-living adjustment (COLA) on or after September 1, 2002, for certain special consultants and retirees covered under the Missouri State Employees' Retirement System and the Highway and Transportation Employees' and Highway Patrol Retirement System from 80% to 100% of the Consumer Price Index, but is limited to not more than 5% of the annuity amount payable immediately before the payment of the COLA. The COLA increase is for both the closed plan and the Year 2000 Plan.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employees Retirement
Missouri State Employees Retirement System
State Highway Employees and Patrol Retirement System
County Employees' Retirement System
Department of Public Safety
 Missouri State Highway Patrol
Public School Retirement System
Department of Transportation
Office of Administration
 Division of Budget and Planning



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